HOUSE COMMITTEE ON LICENSING & ADMINISTRATIVE PROCEDURES TEXAS HOUSE OF REPRESENTATIVES INTERIM REPORT 2004

A REPORT TO THE HOUSE OF REPRESENTATIVES 79TH TEXAS LEGISLATURE

KINO FLORES CHAIRMAN

COMMITTEE CLERK MILDA MORA



Committee On Licensing & Administrative Procedures

December 16, 2004

Kino Flores Chairman P.O. Box 2910 Austin, Texas 78768-2910

The Honorable Tom Craddick Speaker, Texas House of Representatives Members of the Texas House of Representatives Texas State Capitol, Rm. 2W.13 Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on Licensing & Administrative Procedures of the Seventy-Eighth Legislature hereby submits its interim report including recommendations for consideration by the Seventy-ninth Legislature.

Respectfully submitted,

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Vice Chairman

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INTRODUCTION

During the interim, Speaker of the House Tom Craddick charged the Committee on Licensing & Administrative Procedures to study the following issues and report back to the 79th Legislature:

- 1) Implementation of HB 2519 (78R), bingo processes at the Lottery Commission;
- 2) Implementation of SB 283 (78R), sunset legislation for the Board of Architectural Examiners;
- 3) Implementation of HB 1487 (78R), state wide license of electricians;
- 4) Implementation of HB 329 (78R), licensing mold remediators;
- 5) Licenses & duties that can be handled more efficiently at TDLR; and,
- 6) Reducing underage drinking.

In addition, the Committee was charged to actively conduct oversight of agencies and programs under the committee's jurisdiction. These include the Texas Department of Licensing and Regulation, the State Office of Administrative Hearings, the Texas Board of Architectural Examiners, the Texas State Board of Public Accountancy, the Texas Real Estate Commission, the Texas State Board of Plumbing Examiners, the Texas Board of Professional Engineers, the Real Estate Research Center, the Texas Board of Professional Land Surveying, the Texas Racing Commission, the Texas Appraiser Licensing and Certification Board, the Texas Lottery Commission, the State Bar of Texas, the Board of Tax Professional Examiners and the Texas Alcoholic Beverage Commission.

Since 1996, this committee has not issued an interim report on any of its assigned interim charges. The first public hearing of the 2003-2004 interim was held in Austin on December 18, 2003 with five more to follow: in Austin (April 6, 2004; June 1, 2004; July 14, 2004; and September 15, 2004) and in Pharr on March 12, 2004.

A great deal of time was devoted to studying ways to reduce underage drinking and to the oversight of the Texas Lottery Commission.

The Committee would like to thank Comptroller Carole Keeton Strayhorn for her valuable testimony on video lottery terminals at our December hearing. A copy of her testimony can be viewed at: http://www.cpa.state.tx.us/news/31218testimony.html

We owe a great deal of thanks and appreciation to Nelda Treviño and her staff at the Governmental Relations office of the Texas Lottery Commission for responding to the many requests the committee made for information.

We also wish to thank the City of Pharr for hosting us at our March meeting by allowing us access to the City Council Chambers and assisting staff in audio taping the meeting.

The committee would like to recognize all of the witnesses who dedicated their time to address the committee and provide valuable and insightful testimony, especially:

Dawn Nettles with the Lotto Report for bringing to the committee's attention her valid concerns on the underpayment/overpayment of Texas Lotto jackpot winners which resulted in an internal audit due in December 2004;

Steve Ross with Texans Standing Tall for his testimony and for providing witnesses at our hearings on reducing underage drinking; and,

Brandy Anderson with the Century Council and Julia Sherman with the Center on Alcohol Marketing and Youth for flying in from Washington, D.C. and providing the committee with informative statistics on teenage drinking.

The committee wishes to recognize Betty Horton with the office of State Representative

Joe Driver for her knowledge and expertise on HB 1487 (78R), creating a statewide licensure of electricians; Megan Mehaney and Michele Donnelly, Texas State University interns for State Representative Kino Flores for their compilation of interim charge #6 and Brete Anderson with the office of State Representative Kino Flores for his assistance in writing the report for interim charge #2.

We also extend our utmost appreciation and gratitude to Liz Morris, Research Specialist, with the Texas Legislative Council for assisting the committee by providing outstanding and thorough background information and comparisons on many of the committee's interim charges, particularly on interim charge #2.

Finally, while some of the issues the committee addressed did not resolve in recommendations or resolutions, the committee proudly submits the following findings and recommendations to the 79th Legislature and looks forward to working with all parties for the betterment of this Great State.

Milda Mora Chief Clerk

HOUSE COMMITTEE ON LICENSING & ADMINISTRATIVE PROCEDURES

INTERIM STUDY CHARGES

CHARGE #1	Actively monitor the implementation of HB 2519, 78th Legislature, to streamline bingo processes at the Lottery commission, review the commission's processes for leasing of facilities and the commission's audit authority. Also, compare the distribution to charities as a percentage of revenues in Texas with charitable bingo in other states.
CHARGE #2	Monitor the implementation of SB 283, 78th Legislature, sunset legislation for the Board of Architectural Examiners. Pay particular attention to the interior designer's transformation to a "Practice Act."
CHARGE #3	Monitor the implementation of HB 1487, 78th Legislature, creating a state wide license for electricians. Pay particular attention to any unintended consequences, such as an erosion in Texas right-to-work laws.
CHARGE #4	Monitor the implementation of HB 329, 78th Legislature, licensing mold remediators.
CHARGE #5	Identify licenses and duties that could be handled more efficiently at the Texas Department of Licensing and Regulation. Estimate cost savings and policy implications associated with such moves.
CHARGE #6	Study ways to reduce the incidence of underage drinking in Texas. Include an analysis of best practices in other states.
CHARGE #7	Monitor agencies and programs under the committee's jurisdiction.

CHARGE #1

Actively monitor the implementation of HB 2519, 78th Legislature, to streamline bingo processes at the Lottery Commission, review the commission's processes for leasing of facilities and the commission's audit authority. Also, compare the distributions to charities as a percentage of revenues in Texas with charitable bingo in other states.

BACKGROUND

The Texas Constitution generally requires the Legislature to pass laws prohibiting "lotteries and gift enterprises." However, bingo conducted by a limited number of non-profit organizations was authorized by Texas voters through a constitutional amendment enacted in 1980. County-by-county elections were held starting in early 1982 to allow charitable bingo to be played on a local option basis. Today, charitable bingo is conducted in 216 counties.¹

In the beginning, charitable bingo was the only form of gaming allowed in Texas and it grew rapidly. By 1989, 2033 non-profits were licensed to conduct bingo.² 1991 was the best year bingo ever had with attendance of 37 million and gross proceeds of more than \$670 million.³

According to people involved, charitable bingo began to shrink in 1992, the year the first Texas Lottery scratch-off tickets were sold and "Pick Six" drawings were held.

According to data from the Lottery Commission, 1827 charities conducted bingo in 1991, but only 1430 did so in 2003. Bingo lessors numbered 534 in 1991 but declined to 464 in 2003. Overall, the number of licensees regulated by the state for charitable bingo activities has declined 25% from 1991 to 2003. And, attendance at bingo occasions has declined from 37 million in 1991 to 22.8 million in 2003.

Steve Bresnen testified on behalf of the Bingo Interest Group that charities licensed to conduct bingo in 2003 held 127,008 sessions. But, under current law, those charities could have conducted 240,240 sessions. Mr. Bresnen concludes that there is "...underutilization of capacity..." today in bingo. David Heinlien of Jetta Services, a book keeping firm that serves charities in bingo stated that new instant bingo games approved by the Lottery Commission in 2002 had helped some to improve sales.

The net revenues to charities from conducting bingo have declined fairly consistently since 1991, as the following chart shows:

Calendar Year	Net Revenue (in millions) ⁵
1991	\$56.5
1992	\$38.0
1993	\$55.2
1994	\$54.3
1995	\$47.0
1996	\$42.0
1997	\$37.7
1998	\$46.6
1999	\$40.3
2000	\$37.1
2001	\$34.6
2002	\$31.9
2003	\$30.1
	HOUSE BILL 2519, 78R

HB 2519, by Representative Kino Flores, Chairman of the House Committee on Licensing and Administrative Procedures, was intended to streamline the regulation of charitable bingo and give the Lottery Commission additional powers to regulate those who conduct the games.

The major provisions of the bill, and the rationale for each one, were:

Provision	Rationale
Unit accounting	Charities complained that maintaining separate bingo bank accounts, reporting, inventories, employees and other costs was expensive and inefficient. It was believed that regulatory costs were unnecessarily high as a result. The bill allowed charities at the same location to operate with single bingo accounts, inventories and personnel, and to file single reports.
Advisory Opinions	Charities and others felt they were spending too much money defending themselves in administrative proceedings. They believed they could comply with the law and avoid these costs if they could rely on written responses from regulators to their questions. The Commission did not have authority to provide advisory opinions.
Charitable expenses	Charities complained that state law provided one set of rules for how bingo proceeds could be used while federal law provided different rules. In addition, charities felt they were spending too much money responding to audits and violations that could be avoided if one set of rules applied. The bill stated that federal rules apply.
Bingo supply sales tax	Charities complained that their expenses were being driven up by having to pay sales taxes on the bingo paper, pull-tabs and supplies they need to conduct bingo. The bill exempted such goods from state and local sales taxes.
Temporary games	Charities could play six games per year outside their licensed times but had to state the specific date and time when they applied. The bill allowed 12 "temporaries" and let the charities simply notify the Commission before they used one.
Two-year licenses	Charities and other licensees felt that renewing licenses every year caused too much paperwork and expense. The bill allowed them to get two-year licenses if they paid the whole fee up front and a \$25 convenience fee.
Lease terminations	Charities and lessors complained that when a charity stops

playing at a bingo hall sometimes they would not surrender their license so another charity could not take their place. This forced other charities and the lessors to lose money. The bill allows the lessor to fill the spot or the Commission can allow other charities at that location to fill the spot.

Tiered lessor moratorium

The Sunset Commission recommended eliminating tiered lessors. HB 2519 placed a moratorium on granting tiered lessor licenses. This meant that only associations of charities could get lessor licenses for two years. This prohibition did not apply if there was no lessor in a county where someone wanted to place a tiered lessor bingo hall.

Worker Registry

Charities complained about constantly having to update paperwork to show who their bingo workers were. The Commission complained about not being able to keep dishonest bingo workers from being employed in bingo. The bill allows a person on a statewide registry to work in any bingo hall without the charity updating the paperwork but the Commission can take people off the registry for certain offenses.

IMPLEMENTATION AND PROBLEMS WITH HB 2519

The Committee received testimony from the Texas Lottery Commission and members of the charitable bingo community at a hearing held September 15, 2004. According to the testimony, all of the provisions of HB 2519 have been implemented by the Lottery Commission. Many of the bill's provisions required additional computer programming. Some provisions have resulted in amendments to Commission rules and manual "work arounds" by agency staff in lieu of computer programming changes. On the whole, HB 2519 has been successfully implemented.

Perhaps the most significant provisions in the bill were the "unit accounting" sections. According to the Lottery Commission, 17 units are now in operation, which are made up of 84 charities. The Commission is unable to quantify any costs savings to the agency, yet, due to the limited number of units formed.

People involved with one or more of these units testified that the efficiencies and cost savings from forming units have been even better than they anticipated. On the other hand, only these few units have been formed at this time because the Internal Revenue Service has yet to rule on crucial tax-related issues that may affect charities conducting bingo that participate in the units. The witnesses before the Committee unanimously felt that unit accounting would expand rapidly as soon as the IRS ruling is issued.

Another problem with HB 2519 involves implementation of the advisory opinion provisions of the bill.

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The bill allows any person to request an opinion, which has led to numerous, repetitive requests from people who are not responsible for the day-to-day operations of bingo. Also, the Commission is concerned about answering requests from people, or about issues, that are involved in pending or anticipated litigation or factual disputes.

No charities or other licensees have taken advantage of the two-year license provision. According to testimony, paying two years of license fees at one time is too expensive for the charities. The Commission and people involved in charitable bingo believe more licensees will take advantage of the two-year licenses if they may pay half the license fee up front and the remainder in the middle of the license period.

Finally, a problem involving the registry of bingo workers was brought to the attention of the Committee. While everyone agrees the Commission expeditiously processes applications to approve bingo workers, there is a high turnover of bingo employees in some areas of the state. These are generally low-wage jobs performed by young, often unskilled workers. The suggestion has been made that charities be able to employ workers on a provisional basis (e,g., for 14 days), while the Commission processes their applications and performs background checks.

CHARITABLE BINGO DISTRIBUTIONS IN TEXAS VERSUS OTHER STATES

At the hearing, the Committee received information from the Lottery Commission regarding charitable gaming in other states. It is clear that in some states charities receive more money, in the aggregate, than they do in Texas. However, the sources of information available to the Commission do not distinguish distributions from charitable bingo and pull-tabs, the only forms of charitable gaming authorized in Texas, from the distributions to charities in other states, almost all of which include other types of charitable gaming. For example, data for many other states include charitable gaming distributions from card games, casino nights, raffles, punch boards, and other games. These games are either not authorized or not regulated in Texas such that data are not available regarding them.

In addition, the Committee received testimony from Lottery Commission personnel and people involved in charitable bingo to the effect that charitable bingo is so different in form, regulation and taxation from one state to another that "apples to apples" comparisons are impossible.

For example, although Minnesota and Texas both allow the sale of pull-tabs, Minnesota allows pull-tab sales 24-hours per day in bars, restaurants and other locations, as well as in bingo halls. In Texas, pull-tabs may be sold only in licensed bingo locations, which can be open only eight hours per day for regular licenses. Minnesota sold \$1.3 billion in pull-tabs in 2002 whereas Texas sold \$89 million.⁶

The Committee also heard testimony from Lottery Commission personnel that the presence of other kinds of gaming in a state, or neighboring states, has a strong negative impact on the profitability of charitable gaming in that state. Texas is surrounded by casino gaming in Oklahoma, Louisiana, and New Mexico. Other states may or may not have casino gaming.

A state-by-state study of the gaming environment and its affect on charitable gaming in a given state was beyond the scope of the Committee's assignment. It does seem clear, however, that the presence of

other forms of gaming in Texas and in neighboring states has had a tremendously negative impact on charitable bingo in Texas.

It also is clear that where charities in other states receive more money in the aggregate than they do in Texas it is because the charities in those states can offer more games to their customers. And, they either do not compete, compete to a lesser extent or compete using more kinds of game offerings, with other forms of gaming, unlike Texas charities involved in bingo.

CONCLUSION

HB 2519 is being implemented successfully and will reduce costs, streamline regulation and provide the Lottery Commission with additional, necessary regulatory tools.

The Committee believes additional efficiencies can be obtained through further reform of the Bingo Enabling Act.

However, despite the optimism of the charitable bingo community regarding the eventual benefits of unit accounting, other provisions of HB 2519 and additional reforms, it is apparent that charitable bingo cannot return to the healthy levels of net proceeds achieved by the charities in the late 1980s and early 1990s unless additional sources of revenue are authorized by the Legislature.

COMMITTEE RECOMMENDATIONS

Recommendation #1. Continue monitoring the implementation of unit accounting and amendments to the unit accounting provisions of the Bingo Enabling Act, if needed to facilitate compliance with any IRS ruling that may result.

Recommendation #2. Limit the authority to request bingo advisory opinions to officers or business representatives of a licensee, their lawyers or bookkeepers and their primary operators. Authorize the Commission to refuse to answer questions it knows to be in active litigation.

Recommendation #3. Allow charities and other licensees to pay 50% of the two-year license fee up front and the remaining 50% at the mid-point of the licensing period to make it easier for them to take advantage of these provisions in HB 2519.

Recommendation #4. Amend the Bingo Enabling Act to provide for a probationary period for new employees pending approval of their application after a background check by the Commission. Prohibit former bingo workers who are removed from the registry for violations of the Bingo Enabling Act to be used during the probationary period.

Recommendation #5. Amend the Bingo Enabling Act to allow for a maximum amount of operating capital that may be maintained in a charity's bingo account. One hundred percent of

all bingo proceeds in excess of a charity's operating capital should be removed from its bingo account.

Recommendation #6. Allow a charity to transfer money into the bingo account from its other accounts as needed to satisfy the requirements of its bingo operations, provided that its bingo operations produce net proceeds during the license period. Require the charity to notify the Commission when it makes such transfers into the bingo accounts so the Commission can determine whether such transfers were justified by a reasonable and necessary expense, as required by law.

Recommendation #7. Require the reporting to the Legislature and others to be done on the basis of net proceeds earned by charities from their bingo operations. Those net proceeds should be compared to the gross proceeds remaining after prizes are paid. Also, require that none of the reporting on rental payments made by charities be counted twice.

Recommendation #8. Exempt winning pull-tab tickets of \$5 or less from the prize fee.

Recommendation #9. Delete the following provisions from the Bingo Enabling Act:

Sec. 2001.002. Definitions. (10)

Sec. 2001.102. License Application. (b)(5) & (b)(11)

Sec. 2001.106. Form and Contents of License. (4) &(5)

Sec. 2001.152. Eligibility. (c)

Sec. 2001.154. Ineligible Persons. (a)(6), (a)(7), (a)(8), & (a)(9)

Delete all of Sec. 2001.155. Exemption from Certain License Requirements.

Delete all of Sec. 2001.305. Notice to Local Authorities.

Sec. 2001.306. Amendment of License. (c)(1)

Sec. 2001.410. Pull-tab Dispenser. (b) &(d)

Sec. 4001.417. Toll Free Help. (a)

Sec. 2001.505. Report of Expenses. (b)(2) & (c)

CHARGE #2
Monitor the implementation of SB 283, 78th Legislature, sunset legislation for the Board of Architectural Examiners. Pay particular attention to the interior designer's transformation to a "Practice Act."

BACKGROUND

Currently, Texas law requires a person to register with the Texas Board of Architectural Examiners and meet eligibility requirements in order to use the title "interior designer." However, state law does not prohibit a person who does not meet eligibility requirements from performing interior design services.⁷

During the 78th Regular Session, House Bill 1692 by Representative Joe Driver, was passed out of the House Licensing and Administrative Committee, without any opposition. The bill defined the practice of interior design; required a person to be registered as an interior designer in order to perform interior design services; set eligibility requirements that included education, experience and examination; provided a grandfather clause; required the use of a seal; provided for reciprocity with other states; and provided penalties for violations. ⁸ However, the bill stalled in the Senate Business and Commerce Committee, due to significant opposition.

The main argument surrounding whether the State should transform the regulation of interior design from a "Title Act" to a "Practice Act" was whether the current regulation of the practice of interior design posed any significant threat to the health, safety and welfare to the public and provided consumer protection.

TEXAS ASSOCIATION FOR INTERIOR DESIGN

According to the Texas Association for Interior Design (TAID), the proposed practice act will regulate the practice of interior design, not just the title. The TAID views this legislation as necessary because the interior design of structures and environments significantly affects the health, safety, and welfare of the public, which a practice act addresses as follows:

- Licensure establishes standards of minimum competency, including education, experience, and examination, which are enforceable.
- Licensure ensures that qualified individuals design interior spaces.
- By providing a legal definition of the scope of practice, legislation helps consumers
 differentiate the responsibilities and services of each of the design professions. It allows
 consumers to choose the appropriate professional and brings the benefit of open
 competition to the design process.
- Legal recognition enables a state or jurisdiction to discipline an interior designer, provides consumers a means of addressing grievances with interior designers, and prevents unethical designers from continuing practice.
- Professional recognition of interior designers benefits and protects the public by providing standards of practice embodied in an enforceable code of ethics, which incorporates professional fiduciary responsibilities.

Currently 23 states and jurisdictions have licensing or registration requirements for interior design practitioners that require them to meet or exceed and accepted level of accredited education

TEXAS SOCIETY OF ARCHITECTS

According to an issue brief submitted by the Texas Society of Architects (TSA) relating to the licensing of the practice of interior design, "[t]itle regulation is generally considered appropriate when no serious threat to the public is involved, but where consumers may be confused and misled by various practitioners' qualifications. With title regulation, those individuals who do not meet the registration requirements (or who do not care to use the title) are not deprived of their livelihoods."

TSA, the Texas chapter of the American Institute of Architects (AIA), opposes a practice law licensing interior designers in the state. Its reasons include the following:

- There is no demonstrated public need in Texas for licensure, as opposed to certification, of interior designers. This lack of public need is reinforced by the fact that over the past 20 years, only four states, (Alabama, Florida, Louisiana, and Nevada), have enacted "practice" laws to license interior designers. There is movement in two of these states Alabama and Florida to repeal those laws. In August 2004, an Alabama circuit court found the state's interior design practice act unconstitutional, stating "[t]he evidence before the Court shows unreasonableness of the Act and that the enforcement of the act has no rational relationship to the health, safety, or welfare of the citizens of the State of Alabama." [State of Alabama v. Diane Burnett Lupo (CV-02-5201-HSL)).
- Three other states Colorado, Georgia, and South Carolina have conducted *sunrise* reviews to consider interior design practice act legislation and have concluded there is no evidence that the unregulated practice of interior design poses any danger to the public.
- Currently, interior design professional degree requirements can be as little as an associates degree from any institution recognized by the Texas Higher Education Coordinating Board. The lack of consistency and standards for these interior design degree programs is an issue for architects.
- There are no specific guidelines for obtaining verifiable, acceptable interior design experience. The law and rules of the Texas Board of Architectural Examiners only require a total of six years, including both education and experience, to be eligible to take the National Council for Interior Design Qualification (NCIDQ) exam. The lack of consistency and standards is an issue within the state's building design community.
- The NCIDQ exam does not adequately test candidates on health, safety, and welfare. The study guide for the exam demonstrates that 21.6 percent of the exam tests candidates on health and safety, and 14.4 percent of the exam addresses welfare. *Note: According to*

the Texas Association for Interior Design, 100% of their exams covers health, safety and welfare.

• It is inconsistent with Texas law to regulate just the design of interior spaces. Texas law currently allows interior designers to design entire buildings up to 20,000 square feet (exterior and interior) without an architect.

INTERIOR DECORATORS

Interior Decorators are not licensed but may be certified. According to Certified Interior Decorators International, a professional organization for interior decorators, individuals "who have the talent" may "seek educational training and the required testing to become recognized as 'certified' professionals in the interior decorating industry." As a profession, interior decorators have no national association in the United States and no statewide organization in Texas.

According to Donna Vining, executive director of TAID, interior decorators who oppose a Texas practice act for interior designers are concerned that the proposed legislation will put interior decorators out of business. In response Ms. Vining points out that (1) interior decorators in Texas can perform any design work that is not regulated, and (2) the proposed practice act for interior designers will not affect buildings that are less than 20,000 square feet. She states that most residential buildings fall into that category, and most interior decoration projects involve residential spaces.

INTERIOR DESIGN VS. INTERIOR DECORATING

According to the American Society of Interior Designers (ASID), interior designers differ from interior decorators as follows:

Interior designers are professionally trained in space planning. In 18 states, they must pass a strict exam and be licensed. While both designers and decorators are concerned with aesthetics, style, and mood, interior designers have comprehensive training and command skills that may include an understanding of:

- flame spread ratings, smoke, toxicity, and fire rating classifications and materials;
- space planning for public and private facilities;
- national, state and local building codes;
- standards regarding the needs of disabled or elderly persons and other special needs groups;
- ergonomics;
- lighting quality and quantity;
- acoustics and sound transmission.

Decorators works only with surface decoration, such as paint, fabric, furnishings, lighting, and other materials. Because no license is required, upholsterers, housepainters, and other tradespeople also claim the name "decorator."

COMMITTEE FINDINGS

The Committee held a public hearing on September 15, 2004 regarding the necessity for transforming interior design to a "Practice Act". The committee heard from both architects and interior designers. There was conflicting testimony on whether the practice of interior design services constituted a threat to the public, and whether a change in the current level of regulation was necessary.

CONCLUSION

Questions exist regarding how a change from title protection to practice regulation would create unintended consequences in areas where there is significant overlap between the practice of interior design and interior decoration, as well as interior design and interior architecture.

Arguments continue whether the current regulation of interior design pose any threat to the health, safety and welfare to the general public. The Committee will continue working with all interested parties during the upcoming legislative session to ensure public safety and consumer protection.

Therefore, the committee makes no recommendation on Interim Charge #2.

CHARGE #3

Monitor the implementation of HB 1487, 78th Legislature, creating a state wide license for electricians. Pay particular attention to any unintended consequences, such as an erosion in Texas right-to-work laws.

BACKGROUND

For more than 25 years, Texas legislators attempted to pass legislation regulating the dangerous electrical industry but the efforts were unsuccessful due to conflicts between electrical trade groups. However, in the two years preceding the 78th Legislative Session, the electrical trade groups worked together to develop a proposal that ultimately resulted in the Texas Electrical Safety and Licensing Act.

The Texas Electrical Safety and Licensing Act (HB 1487 by Representative Joe Driver and Senator Ken Armbrister) was passed overwhelmingly by the 78th Legislature and signed into law by Governor Rick Perry.

With the passage of HB 1487, Texas joined 41 other states in licensing individuals working in this dangerous industry. And for the first time, Texas has statewide standards and regulations to safeguard life, health and property of Texans and those working in the electrical trade.

The Texas Department of Licensing and Regulation (TDLR) was charged with administering the Act with the guidance of Texas Electrical Safety and Licensing Advisory Council as well as the TDLR Commissioners. The legislation prescribed an aggressive timeline, and implementation is on target. With applications for licenses being accepted on March 1, 2004, many tasks had to be completed in a short time period including: appointing an advisory council, hiring staff, establishing internal procedures and processes, developing application forms, notifying electricians across the state about the new law and adopting licensing rules. As of September 30th, TDLR had issued 75,766 licenses.

COMMITTEE FINDINGS

The Committee held two public hearings on April 6, 2004 and July 14, 2004 regarding the implementation of HB 1487. Much of the testimony received related to the inability of some qualified individuals with years of experience to qualify for a license. Under HB 1487, individuals had to have experience under a master electrician. TDLR interpreted a master electrician meant a "licensed" master.

During the 4th Called Special Session of the 78th Legislature, HB 72 was filed to specify in statute that TDLR could accept alternative documentation of experience, however, the bill did not become eligible for consideration.

A request was then submitted to the Attorney General for an opinion regarding acceptance of alternative documentation. However, prior to the issuance of an opinion, TDLR clarified legislative intent with the bill author and an emergency rule was adopted allowing alternative documentation of on-the-job training.

Other concerns raised by committee members related to TDLR's notification procedures. Members suggested that a postcard or letter addressed to the individual electrician would have better communicated the mandatory licensing requirement. Consideration should be given to an

additional grandfathering period for individuals that did not submit an application for a license initially because of TDLR's interpretation or because of the failure to receive notification.

CONCLUSION

Although the main concern raised was addressed through emergency rule, provisions in statute will need to be clarified to avoid future misinterpretations. Considering the magnitude of the Act and implementation, relatively few matters are needed to be addressed legislatively.

Prior to the convening of the 79th Legislature in January 2005, all rules necessary for implementation and administering of the Electrical Safety and Licensing Act will be in place, including rules relating to continuing education and license renewal.

In considering changes to the Act, it will be important to maintain the integrity of the legislation that took years to craft and allow the new law to work.

COMMITTEE RECOMMENDATIONS

Recommendation #10. Amend the exemption relating to motor vehicles to clarify that recreational vehicles are also exempt.

Recommendation #11. Exempt electrical work performed in agricultural use including water wells (and deleting the related rider in the appropriations bill).

Recommendation #12. Amend provisions relating to apprentices to include electrical sign apprentices.

Recommendation #13. Exempt on-site sewage facility installers.

Recommendation #14. Clarify that governmental entities such as school districts and cities are not required to hold an electrical or electrical sign contractor license.

Recommendation #15. Establish a 45-day temporary apprentice license and a 90-day emergency license to allow TDLR to license out of state electricians in case of disasters. Grant additional rulemaking authority to the Commission, with the advice of the Advisory Board, to develop rules that provide for extensions of emergency licenses.

Recommendation #16. Provide a new grandfathering period for military service personnel to allow persons who were unable to apply during the initial grandfathering period due to active military duty.

Recommendation #17. Clarify that 1306.160(b) applies to a Electrical Sign Contractor by adding "sign" between "electrical" and "contractor" to read: (b) A person who holds a master sign electrician license issued or recognized under this chapter may only be assigned to a single electrical sign contractor.

Recommendation #18. Remove the late renewal provision in the Electrical Safety and Licensing Act which will bring the electricians renewal process in line with TDLR's 21 other statutes (as established in TDLR's enabling legislation, Occupations Code, Chapter 51).

Recommendation #19. Require the availability of online continuing education courses for electricians.

CHARGE #4
Monitor the implementation of HB 329, 78th Legislature, licensing mold remediators.

BACKGROUND

Mold assessors and mold remediators were not regulated under state or federal law. This lack of regulation may have contributed to the incidence of costly mold assessment and remediation procedures, as well as hazardous and inefficient extraction of mold by untrained and unlicensed mold remediators. This, in turn, may have resulted in significant increases in homeowners' insurance premiums.⁹

As a result, HB 329 was passed during the regular session of the 78th Legislature and became effective on September 1, 2003. The bill authorized the Texas Department of Health to implement rules and procedures by April 1, 2004 relating to the licensure of mold assessors and remediators

TEXAS MOLD ASSESSMENT & REMEDIATION RULES

In June 2003, a task force of stakeholders was created to assist the Board of Health in the development of rules. Drafts were revised multiple times during the summer and fall months based upon comments and concerns received by the task force. Proposed rules were submitted to the Board of Health on December 5, 2003, but due to the vast amount of testimony received at the meeting, the Board decided to table the proposed rules until January and asked the Department of Health to revise the rules to satisfy the concerns raised at the meeting. The rules were finally adopted on April 15th and effective on May 16, 2004. 10

Under the Texas Mold Assessment and Remediation Rules (25 TAC Secs. 295.301-295.388), all companies and individuals who perform mold-related activities will have to obtain appropriate licensing from the Department by January 1, 2005. Applicants must meet certain qualifications, have required training and pass a state exam in order to receive their licenses. Mold remediation workers must have training and be registered with the department. Laboratories that analyze mold samples must also be licensed and meet certain qualifications. The rules set minimum work standards that licensees must follow and require them to follow a code of ethics. To prevent conflicts of interest, the rules also prohibit a licensee from conducting both mold assessment and mold remediation on the same project.¹¹ The rules also establish civil and administrative penalties for violations and requires minimum insurance (CGL) of \$1 million.¹²

The following charts provide a status report on the number of applications & remittances received and state exams given as of November 5, 2004:

Application Type		# Received	Remittances	Licenses
				Issued
State Exam Registration		392	\$9800.00	n/a
Mold Analysis Lab.		16	\$8000.00	10
Mold Training Provider		5	\$2500.00	0
Mold Course Approval		8	00	0
Mold Assessment Tech.		3	300.00	0
Mold Assessment Consultant		11	\$3300.00	4
Mold Assessment Company		2	\$1000.00	1
Mold Remediation Contractor		1	250.00	1
Mold Remediation Company		1	500.00	1
Mold Remediation Worker		0	00	0
	Totals	439	\$25650.00	17

State Licensing Exams

Exam		# taking exam (fifteen sessions)	# passed
Mold Assessment Tech.		29	6
Mold Assessment Consultant		171	55
Mold Remediation Contractor		61	13
	Totals	261	74

IMPLEMENTATION STATUS

Testimony received at the committee's September 15, 2004 public hearing stated that the Department did not receive any additional appropriations for the implementation of the Mold Assessment & Remediation Program. The Department will have to collect over \$308,000 in revenues in FY05 before they are permitted to increase its appropriation authority.¹⁴

The program has no full time administrative support, but an existing temporary employee was assigned on October 19, 2004. Organizations of incoming remittances and exam applications and scheduling people into multiple exam session has consumed staff time as well as answering the many incoming calls from those applying to take the exam.¹⁵ Several questions on the exam have been revised in order to improve the passing rate.¹⁶

Minor problems with the licensing database have occurred but staff have responded quickly to remedy the problems. Staff from the asbestos licensing division have assisted with the redesign of ID cards with a new logo. When completed, several individual and company licenses will be issued, assuming the system operates correctly with the database.¹⁷

Frequent updates to the mold web page have been necessary regarding test dates. ¹⁸ The Department's website was updated due to the Department consolidation to the new Department

of State Health Services.

CONCLUSION

The Committee applauds the willingness and cooperation of the Department of Health, now the Department of State Health Services, to listen to the concerns raised at its Board meetings and revise its rules. The Committee also supports Rep. Elliott Naishtat's commitment to file legislation that will allow licensed assessors and licensed remediators employed by a public school district to perform the work on the same in-house project.

Although the provisions in HB 329 have not yet been fully implemented, the Committee recognizes the continuing efforts by the Department to make certain those provisions of HB 329 are satisfied. Therefore, the Committee does not make any recommendations to this charge.

CHARGE #5
Identify licenses and duties that could be handled more efficiently at the Texas Department of Licensing and Regulation. Estimate cost savings and policy implications with such moves.
BACKGROUND
During the 78th Regular Legislative Session, the House Committee on Government Reform

approved HB 2 by Representative David Swinford which, in part, consolidated the following agencies with the Texas Department of Licensing and Regulation (TDLR):

- 1). Texas Funeral Service Commission;
- 2). Texas Structural Pest Control Board;
- 3). Texas State Board of Plumbing Examiners;
- 4). Texas Cosmetology Commission;
- 5). Manufacturing Housing Division of the Texas Dept. of Housing;
- 6). State Board of Barber Examiners;
- 7). Texas Board of Professional Land Surveying; and,
- 8). Texas Board of Professional Geoscientists.

HB 2 was scheduled for floor debate late in session and was recommitted to the Government Reform Committee on a point of order and never passed the House.

During floor debate on SB 279, the sunset legislation for TDLR, Representative Ray Allen offered a floor amendment which abolished the above named agencies and boards and transferred their powers and duties to TDLR. Representative Rick Hardcastle offered an amendment to the amendment which removed the Manufacturing Housing Division from the list of agencies to be consolidated.

The amendment was later removed in Conference Committee.

COMMITTEE FINDINGS

The committee met in a public hearing on April 6, 2004 and heard testimony from all the executive directors from each of the agencies and boards, including the Manufacturing Housing Division.

In its 1994 interim report, this committee recognized the need to license geologists and, ultimately, the Texas Board of Professional Geoscientists was created as a self-sustaining agency.

Due to health and safety reasons, the Legislature created the Board of Barber Examiners and the Cosmetology Commission to regulate barbers and cosmetologists. During the interim, the Barber Board and the Cosmetology Commission were both under Sunset review. Although the Legislature has consistently maintained that the regulation of barbers and cosmetology be handled at their respective agency, the Sunset Commission recommended that both the Barber Board and Cosmetology Commission be merged to create one agency.

The last audit report for the Funeral Service Commission was issued on June 24, 2002. Although the report found significant weaknesses in the Funeral Service Commission's information system controls and flaws in its license issuance process, no recommendation for abolishment or consolidation was made.

The Structural Pest Control Board was issued an audit report in November of 2003. The Board concurred with many of the audit's recommendations and has worked toward implementing corrective actions.

The Committee received written testimony from Mark Hanna, legal counsel for the Texas Society of Professional Surveyors (TSPS). According to his letter, a \$150 annual increase fee for surveyors was supported by TSPS and enacted by the Legislature. The fee increase would result in an additional \$900,000 for the biennium and would greatly exceed any cost savings generated by moving the Texas Board of Professional Land Surveyors to TDLR.

ESTIMATE COST SAVINGS ASSOCIATED WITH SUCH MOVES

In response to this committee's request for a letter of estimate, the Legislative Budget Board issued the following preliminary estimate:

As estimated by TDLR, there would be a net positive impact of \$523,985 to the state from transfers associated with the interim charge for the first year of implementation (fiscal year 2006) and a savings to the state of \$683,985 for fiscal year 2007.¹⁹

CONCLUSION

The Committee recognizes that there is a potential need to eliminate overlapping and duplication of services within existing agencies regulating licensure and registration of certain professions.

Assuming that these agencies were selected as part of the Legislature's attempts to resolve the current budget crisis, the committee could find no evidence on how and why these agencies were selected nor whether consolidation would make state government more efficient.

Although the Sunset Commission has recommended merging the Cosmetology Commission and the Board of Barber Examiners into a new agency, the committee makes no recommendations to the consolidation of any licenses and duties with TDLR.

CHARGE #6
Study ways to reduce the incidence of underage drinking in Texas. Include an analysis of best practices in other states.

BACKGROUND

In the Texas Alcoholic Beverage Code, a "minor" is defined as any person under 21 years of age. In Texas it is illegal to purchase alcohol, attempt to purchase alcohol, or consume alcohol by any person under the age of 21. It is also illegal to sell alcohol to minors, drive under the influence of alcohol as a minor, or to purchase or furnish alcohol for a minor. Similarly, if a minor misrepresents himself as being 21 years of age or older in order to obtain alcohol, it too is considered an illegal act.

With all of these laws taken together there is still an overwhelming excess of underage alcohol consumption in Texas. This is not just a problem for the minors and their families, but a problem for every resident of Texas. Currently, the amount of damage attributed to underage drinking is substantial. According to the Pacific Institute for Research and Evaluation, underage alcohol use costs in Texas is over \$5.5 billion a year. This includes, but is not limited to, the costs of uninsured medical care, youth violence, loss of life and productivity, fetal alcohol syndrome and treatment for other alcohol-related medical problems.²⁰

According to the National Highway Transportation Safety Administration, of the 599 traffic fatalities in 2002 among the 15-20 age group in Texas, 44% were alcohol related. There were also 19,845 arrests for public drunkenness of underage drinkers, including 38 arrests of minors under the age of 10.²¹ The Dallas County Drug Impact for 2003 quotes the Dallas County Juvenile Department as saying that the cost, in Texas, of treating young adults with drinking problems in residential treatment centers is around \$28,000 per child. The cost to incarcerate minors awaiting trial is roughly \$110 per day.²²

The National Institutes of Health found in a 2002 study that drinking among college students, of whom a significant number are minors, was a factor in 1,400 deaths, 500,000 injuries, and 70,000 sexual assaults. Studies have shown that children who consume alcohol before they reach the age of 15 are four times more likely to develop alcohol dependence than those who wait until they are of legal age.²³

Teens consume more than one billion bottles and cans of beer per year.²⁴ The Dallas Morning News calls this an epidemic.

POTENTIAL STRATEGIES FOR REDUCING UNDERAGE DRINKING

The Committee on Licensing and Administrative Procedures held two public hearings to gather testimony regarding the problem of underage drinking in Texas and its possible solutions. The first hearing was held on March 12, 2004 in Pharr, Texas and the second was held in Austin on April 6, 2004.

The Committee received testimony from groups such as Texans Standing Tall, Texas Department of Transportation, Texas Alcoholic Beverage Commission, the Century Council, the Wholesale Beer Distributors, the Licensed Beverage Distributors, as well as parents of minors and minors themselves.

Most of the testimony recommended three specific areas to target, as well as increased education

and banning false identification. One of the many problems in teenage drinking is most minors obtain alcohol from adult purchasers. One way many states have tried to reduce this problem is through beer keg registrations. The premise is that being able to track where the alcohol came from might deter adults from obtaining it for minors in the first place. According to Texans Standing Tall, beer kegs are often the main source of alcohol at large gathering where minors engage in alcohol consumption.

Keg registration consists of placing a tag on all kegs that could then be traced back to the purchase place and the purchaser. This is fairly simple and inexpensive. The ID tag would have all pertinent information which is provided at the time of purchase. If police are called to a gathering where underage drinking has taken place and a keg is present it is much easier and less time consuming to track who is responsible for providing the alcohol. Subsequent measures, including any legal action necessary, can then be implemented. If adults of legal drinking age will inevitably face consequences for providing alcohol to minors, they will hopefully be less likely to do so.²⁵

Keg registration is already in place in 23 states in the U.S. According to an analysis conducted by the Texas Legislative Council in response to this committee request regarding whether the implementation of keg registrations laws reduce fatalities caused by teenagers driving under the influence of alcohol, the analysis indicated that the implementation of beer keg registration had no measurable effect.

Before implementation, the estimates showed a decline in alcohol related fatalities from about 43 percent to about 25 percent. After implementation, the percent of alcohol-related fatalities remained around 25 percent. The trend of fatalities in states with keg registration laws was similar to the trend in the states that had no keg registration laws.²⁷

While other states have given this regulation encouraging reviews, the committee could find no definitive proof of effectiveness at this time.

Another strategy for reducing underage drinking in other states includes "social host liability" laws. According to research submitted by the Texas Legislative Council, Hawaii and Minnesota recently enacted such laws that make it a felony to provide alcohol to a minor who becomes intoxicated and hurts himself or others as a result. Kansas is currently considering a law that would make hosting underage drinking a misdemeanor.²⁸

Another suggestion was to increase the taxes on beer, wine, and liquor. Nine states have recently passed laws increasing these taxes. ²⁹ The taxes on alcohol in Texas currently fall well below the national average. If Texas beer and liquor taxes were brought in line with the national average and the mixed beverage tax was raised by 1% there would be an estimated \$91 million of new revenue for Texas in 2004. While this would certainly help offset the alcohol related costs in Texas, it would also more than likely lead to a reduction in underage consumption as younger individuals are more sensitive to prices than are older adults. Increasing alcohol taxes will either generate substantial revenue for the state or cause a significant reduction in alcohol abuse related costs. Either outcome would seem desirable for Texas. ³⁰ This issue however, is still controversial and has had overwhelming opposition in Texas.

The third suggestion relates to a stricter regulation of alcohol related advertising. A study from the Center on Alcohol Marketing and Youth reported that nearly a quarter of the alcohol commercials on television in 2001 were more likely to be seen be minors than by adults.³¹ This same study of television markets in the United States found that the average young person was exposed to 245 alcohol ads in 2001.³² Not only were teenagers watching these commercials, the majority of the ads directly appealed to the sensibilities of that age group. Most of these commercials centered around sex, attractiveness, popularity, independence, rebellion, and adventure. These are all things that teenagers seem to crave.³³ Due to the fact that teenagers see more commercials for alcohol than they do for jeans, sneakers, gum, acne medication, or non-carbonated soft drinks³⁴ it is imperative that either the content or the placement of these advertisements be changed. According to the National PTA Magazine, essentially the alcohol industry is currently regulating itself.³⁵ If we are to ask minors to stop drinking, we must modify our approach to advertisements that so strongly promote drinking.

In addition to television, it was strongly recommended that we limit or eradicate billboards that advertise alcoholic beverages within close proximity to schools. This is currently regulated on a local level and while the committee certainly encourages cities to consider regulating ads and billboards, no recommendations are made at this time.

Education is another simple and highly effective way to reduce underage drinking. The education programs available and used in Texas schools today need to be monitored more closely. While Drug and Alcohol Prevention is included in the current curriculum there are various ways in which area schools can use this to address underage drinking effectively and move closer to prevention. Looking into ways to enhance the uniformity of these programs might be a viable option in the future.

One option the committee feels is available at this time is banning the use of false identification. Retailers and law enforcement officials report the use of false identification to be a significant contributor to underage alcohol access. Currently there is a wide range of false identifications available to the consumer. These are easily obtained by minors. The only effective way to reduce this offense would be to prohibit the production, possession, distribution, and use of false identification. There is also the strategy of requiring that all identification can be scanned using a magnetic reader, and require or at least encourage merchants to use them. In addition, there must be some type of repercussion for a minor attempting to use false identification. Imposing legal penalties would hopefully deter some minors from seeking this avenue to obtain and consume alcohol.³⁶

COMMITTEE RECOMMENDATIONS

Recommendation #20. Authorize the suspension of a minor's driver's license who is convicted

of purchasing, attempting to purchase, or possessing an alcoholic beverage, for up to six months upon first conviction and one year upon second or subsequent convictions.

Recommendation #21. Authorize the immediate seizure of a minor's license at the scene of arrest for driving while intoxicated as part of an administrative license revocations procedure.

Recommendation #22. Regulate internet sales and home deliveries of alcohol by requiring all packages for delivery containing alcohol to be clearly labeled as such and requiring an adult signature for release.

Recommendation #23. Require alcohol retailers to obtain and use driver's license scanners which are already available from TABC.

Recommendation #24. Apply criminal sanctions and increase administrative penalties on retail licensees for violations of sales-to-minors laws.

Recommendation #25. Apply appropriate penalties to adults who supply alcohol to minors in social settings by imposing civil penalties, where applicable, as well as a range of criminal penalties and civil liability, either separately or in addition to civil penalties. Increase the penalties' deterrent effects, establish streamlined procedures for imposing sanctions in cases that do not involve serious community disruption, large teen parties, or bodily injury.

Recommendation #26. Ban false identification by prohibiting the production, distribution, possession and use of false identification. Increase penalties on minors who attempt to use false identification, and allow for the confiscation of fake IDs.

Recommendation #27. Require training for all servers and sellers of alcohol.

ENDNOTES

- ¹ according to William L. Atkins, Director, Charitable Bingo Division, Texas Lottery Commission, November 1, 2004.
- ² "How to Help Charitable Bingo in Texas." Coalition to Revive Charitable Bingo, April 18, 2004.
- ³ Exhibit A, Letter from William L. Atkins, Director, Charitable Bingo Operations Division, Texas Lottery Commission, to Tex. House Comm. on Licensing & Administrative Procedures, August 31, 2004.
- ⁴ Letter from William L. Atkins, Director, Charitable Bingo Operations Division, Texas Lottery Commission, to Tex. House Comm. on Licensing & Administrative Procedures, May 11, 2004.
- ⁵ Letter from William L. Atkins, Director, Charitable Bingo Operations Division, Texas Lottery Commission, to Tex. House Comm. on Licensing & Administrative Procedures, May 4, 2004.
- ⁶ "Charity Gaming in North America: 2002 Annual Report," National Association of Fundraising Ticket Manufacturers.
- ⁷ Bill analysis, HB 1692 78R.
- ⁸ Ibid.
- ⁹ Bill analysis, HB 329 78R.
- ¹⁰ Testimony of Rick Bays, Assoc. Comm'r, Tex. Dept. of State Health Services, Tex. House Comm. on Licensing & Administrative Procedures. Public hearing, Sept. 15, 2004 (hereinafter Bays).
- ¹¹ Consumer Mold Information Sheet, Tex. Dept. of State Health Services, Publication No. 18-12049, July 2004.
- 12 Bays
- ¹³ Correspondence from Vicki Cowling, Tex. Dept. of State Health Services, to Tex. House Comm. on Licensing & Administrative Procedures, November 5, 2004.
- ¹⁴ Bays.
- ¹⁵ Correspondence from Vicki Cowling, Tex. Dept. of State Health Services, to Tex. House Comm. on Licensing & Administrative Procedures, October 22, 2004.
- ¹⁶ *Ibid*.
- 17 *Ibid*.
- ¹⁸ *Ibid*.
- ¹⁹ Letter from John Keel, Director, Legislative Budget Board, to Tex. House Comm. on Licensing & Administrative Procedures, May 14, 2004.
- ²⁰ Testimony of Steve Ross, Texans Standing Tall, Tex. House Comm. on Licensing & Administrative Procedures. Public hearing, March 12, 2004.
- ²¹ *Ibid*.
- ²² Greater Dallas Council on Alcohol and Drug Abuse. *Dallas County Drug Impact Index-2003*.
- ²³ "Advertising." *The New York Times*, March 6, 2003.
- ²⁴ "Alcohol Abuses." *Dallas Morning News*, July 30, 2003.
- ²⁵ Testimony of Steve Ross, Texans Standing Tall, Tex. House Comm. on Licensing & Administrative Procedures. Public hearing, March 12, 2004.
- ²⁶ Memorandum re: Effects of keg registration on traffic fatalities to the House Committee on Licensing and Administrative Procedures from Don Warren, Texas Legislative Council, November 22, 2004.
- ²⁷ *Ibid*.
- ²⁸ Memorandum re: A survey of regulatory strategies for reducing underage drinking to the House Committee on Licensing and Administrative Procedures form Liz Morris, Texas Legislative Council, March 10, 2004.
- ²⁹ Ibid.
- ³⁰ "The Fiscal Impact of Raising Texas Alcohol Taxes", Texas Perspectives, Inc., January 20, 2002.
- ³¹ "Advertising." *The New York Times*, March 6, 2003.
- ³² "Television alcohol ads need better oversight." San Antonio Express News, January 5, 2003.
- ³³ "Advertising." *The New York Times*, March 6, 2003.
- ³⁴ Television, Alcohol's Vast Adland: A report on alcohol advertising on television, The Center on Alcohol Marketing and Youth, 2001.
- ³⁵ Our Children: The National PTA Magazine, 2003, 29(3).
- ³⁶Memorandum re: A survey of regulatory strategies for reducing underage drinking to the House Committee on Licensing and Administrative Procedures from Liz Morris, Texas Legislative Council, March 10, 2004.